

Exhibit 7

Ministry of Taxation

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Report

Internal Audit

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Audit of dividend and royalty tax for 2012

1. Introduction

The Danish Ministry of Taxation's Internal Audit department (Internal Audit) has performed an audit of dividend and royalty tax for 2012.

The purpose of the audit is to assess:

- If SKAT has planned its accounting function in a satisfactory way, including set up business procedures and internal controls that help ensure correct presentation of financial statements.
- If the initiatives launched by SKAT as a result of previous investigations are sufficient and adequate, cf. the Internal Audit report of the area of 10 May 2010, our ref. 09-272022, which included a number of recommendations.

2. Basis

The audit included:

- Dividend tax (business areas 1156, 1157 and 1158)
- Royalty tax (business areas 1160 and 1161)

In financial statements for 2012, net income from dividend tax totals DKK 6,363.5 million whereas income from royalty tax totals DKK 130.0 million.

Internal Audit has held meetings with Accounting 2 (*Regnskab 2*), the Process and Administration department (*Proces og Administration*) and the Individuals eKapital department (*Afregning Person eKapital*), Businesses department (*Afregning Erhverv*) and Business and Guidance department (*Erhverv og Vejledning*).

The audit also included a visit with Accounting 2 at which they informed us about planning procedures and reviewed bookkeeping and reconciliation procedures with relevant employees as well as checked business procedures and controls to ensure the correctness of the financial statements.

In addition to the review of bookkeeping and reconciliation material, Internal Audit has collected, reviewed and assessed relevant material in the form of internal descriptions, guidance material and business procedures.

The audit did not include audit of IT systems.

The audit was performed by Søren Kristensen and Lars Kørvell in the period January to May 2013.

3. Observations

3.1 Debtors

Internal Audit has reviewed the debtor accounts. All declarations are entered in 3S, via the TastSelv e-tax system or via entries made by Accounting 2. Declarations of dividend tax payments are transferred automatically on a daily basis from 3S to SAP38¹. Income is registered in SAP38 when the declaration is registered with a debtor number counter item under debtor account 3000.

In connection with the payment of dividend tax, upon submission of a printed declaration, an automatic registration is performed on a bank with a technical debtor counter item. Employees in Accounting 2 regularly move items from the technical debtor to the actual debtor numbers on debtor account 3000. Internal Audit has reviewed Accounting 2's business procedures covering the processing of debtors. The review showed that most claims are balanced within a relatively short period of time. When using the TastSelv e-tax system, the distributor is assigned an OCR line which means that the payment goes directly to debtor account 3000.

The audit showed that Accounting 2 regularly sends reminders in respect of claims. Accounting 2 sends two reminders before the claim is submitted to the Collection department (*Inddrivelse*).

The claims remain under the individual business codes even though they are submitted to the Collection department. SAP38 automatically changes the status for these claims so they are visible on the reports drawn by the Collection department.

The audit revealed few older balances. In its review of the most material outstanding balances, Internal Audit found that they were all enforceable and being processed. This included a claim inclusive of interest of DKK 620 million which relates to a pending insolvency case.

During the review of Accounting 2's monthly controls in connection with the clearance of accounts, Internal Audit found that Accounting 2 checked and dissolved outstanding items for technical debtors, deposit accounts etc.

¹ Companies must declare distributions to SKAT. At the same time, the withheld dividend tax from the distribution must be paid to SKAT.

Internal Audit furthermore finds that the dividend control² also contributes to dissolving older outstanding items. A significant part of the errors found by Accounting 2 during the dividend control were caused by companies having paid and reported information about dividend recipients³ in the TastSelv e-tax system but having failed to declare the amount. Internal Audit finds that Accounting 2 should not have waited until the biannual control to find such errors. Internal Audit finds that this could be done on an ongoing basis by comparing debtor accounts with outstanding credit items to reports in 3S.

In this respect, Accounting 2 has stated as follows: "In connection with the processing of outstanding items, reminders are submitted for declarations concerning periods that are not covered by the next dividend control. The TastSelv e-tax system has been challenged from July 2010 in such a way that the companies thought they had declared when they reported dividend recipients, and this increased the amount of outstanding items. Reminders for declarations have predominantly been submitted in connection with the dividend control in which searches were primarily performed electronically."

Partial conclusion

Internal Audit finds that the outstanding claims as at 31 December 2012 existed and were enforceable.

Internal Audit finds that Accounting 2 should dissolve items on an ongoing basis when companies have paid and reported information about dividend recipients but have failed to declare.

3.2 Accounting policies – recognition

Income from dividend tax is entered in the financial statements in connection with the registration of the declaration. Hence, dividend tax is entered when it has been declared, irrespective of whether it has been paid or not. Accounting 2 does not perform any accrual when entering declarations. The time of registration of the declaration determines when the income is entered in the financial statements⁴.

As regards the payment of dividend tax, the time of registration also determines when such payment is recognised in the financial statements. The payment is registered in SKAT's financial statements at the same time as the payment is made, and all payments are registered each day with a technical debtor counter item.

Companies must declare and pay dividend tax no later than on the 10th day of the month after it was decided to distribute dividend – if the company's deadline for paying A tax is the last banking day of the month, this deadline will be postponed until the last banking day of the month after the month in which the distribution was made.

² Twice a year, SKAT performs a dividend control in which item 37 on the companies' tax returns is compared to declared dividend registered in 3S – see section 3.6.

³ In addition to declaring and paying dividend tax, the company must report information about the individual dividend recipient.

⁴ For companies declaring via the TastSelv e-tax system, the registration time is the declaration time.

If SKAT raises a claim for withholding of dividend tax on a distribution, such claim is only entered in the financial statements as income when the claim is raised. If SKAT loses the case, the claim is expensed at the time when the case is lost.

For royalty tax, the time of the entry of the royalty tax also determines when such income is recognised in the financial statements. No accrual is made.

Computation of interest is based on the time of payment which depends on the adoption date.

As regards dividend tax refunds, the time of payment of such refund determines when the refund amount is expensed. Internal Audit finds that refunds are paid on an ongoing basis just after the processing of the refund request has been completed.

The clearance of accounts for company code 6112 December 2012 shows that Accounting 2 still had almost 1,300 declarations to enter at the end of 2012. At the end of 2012 and 2011, the department still had approximately 4,000 and 2,000 declarations that had to be entered. Hence, Internal Audit finds that the number of declarations not yet entered has fallen.

Internal Audit has analysed the bookkeeping and estimated the total income for the 1,300 declarations that will not be entered and recognised as income until 2013. The estimate is approximately DKK 56 million and is subject to some uncertainty.

Partial conclusion

Internal Audit finds that SKAT's current procedure for recognising dividend tax as income (declarations entered by Accounting 2) is not within the guidelines/rules determined by the budget guide (*Budgetvejledningen*) and the Agency for Modernisation (*Moderniseringsstyrelsen*). Internal Audit is aware that SKAT has set up a task force which is currently preparing recommendations for accounting policies and recognition criteria for income in SKAT. SKAT should ensure that dividend tax is recognised within the guidelines/rules determined by the budget guide and the Agency for Modernisation.

3.3 Reconciliation with feeding systems

Internal Audit finds that SKAT does not perform reconciliation between 3S and SAP38. A review of the monthly clearance of accounts show that declarations were entered in May 2012 corresponding to approximately 1.6 billion in 3S which has erroneously not been fed into SAP38. This error is discovered by Accounting 2 having many payments from debtors that are not set off. This error has subsequently been corrected.

Internal Audit has been informed that SKAT does not perform reconciliation between 3S and the sub-systems UDBY and IFPA under eKapital.

It has also been disclosed that no reconciliation or any other control has been performed to ensure that the relevant information in UDBY and IFPA is transferred correctly to the tax assessment notices. In 2012, certain eKapital items were not retrieved by the SLUT system and were therefore at first not included in the tax assessment notices. The reason for the error was that the dividend tax rate has been changed from 28% to 27%. The specific error was found, and the SLUT system has subsequently been corrected.

Partial conclusion

The audit thus found that errors occurred in 2012 when not all data in 3S were transferred to SAP38, and not all relevant data in eKapital were transferred correctly to the tax assessment notices for persons. In both cases, the errors were discovered by other means than via actual system reconciliation.

Internal Audit finds that the specific cases in which errors have occurred in 2012 show the importance of reconciling systems. SKAT should set up reconciliation or other control procedures to ensure that all data are delivered accurately and completely between the systems.

3.4 Dividend tax refunds

For foreigners, dividend tax is withheld upon distribution. Dividend recipients may request a refund if they are covered by a double taxation treaty (DTT) or come from an EU member state. The only exception is the so-called "VP scheme" for securities registered in VP Securities. The VP scheme is an agreement between custodian banks, VP Securities, SKAT and the custody customer (the dividend recipient). An agreement has been concluded for 12 countries, which means that VP Securities for the registered Danish shares/certificates ensures that dividend tax is withheld at the correct rate/amount upon distribution so that the dividend recipient is not required to request any refunds.

To this, the Individuals department has stated that "the reduced dividend tax can only be effected if both the customer and the customer's custodian bank have concluded an agreement. To check this, eKapital has, effective from 1 January 2014, entered a duty in the Danish Tax Control Act (skattekontrolloven) to report a flag for the so-called VP scheme. A subsequent control/reconciliation is then possible."

To receive a refund, the dividend recipient must submit a form to Accounting 2 together with documentation for tax liability to the home country and a dividend notice on received dividend and withheld dividend tax.

To reduce SKAT's use of resources in connection with a request for a dividend tax refund, an agreement has been made with three banks called the "spreadsheet scheme" under which these banks submit the refund request on behalf of their customers. The banks guarantee the refund amount requested on behalf of their customers.

Internal Audit has reviewed and checked Accounting 2's business procedures as regards processing, bookkeeping and payment of refunds. The audit showed that functions have been separated. Furthermore, the audit showed that the refund requests received outside the spreadsheet scheme are assessed before the refund amount is paid. If documentation was insufficient, further material was requested, and the requests were rejected in the event of non-compliance.

The forms are entered separately so that there is a control trail, whereas refunds via the spreadsheet scheme are entered as summary items.

The spreadsheets contain the same information as the other requests. Some spreadsheets include documentation for tax liability and dividend notices, whereas others do not. Accounting 2 has stated that they trust the banks extensively and rarely request documentation. Internal Audit has been informed that this has only happened twice during the spreadsheet scheme period⁵.

If a form is used to request a refund twice for the same share, the system is set up to give a notice the second time. However, as refunds via the spreadsheet scheme are entered as summary items, a dividend recipient will be able to request a refund more than once for the same share, either via both the form and the spreadsheet scheme or multiple times via the spreadsheet scheme without SKAT finding out.

Internal Audit has found that refunded dividend tax has increased from approximately DKK 680 million in 2010 to approximately DKK 1,452 million in 2012. SKAT has informed Internal Audit that the reason for this increase may be that Danish companies distribute higher dividends for foreign shareholders but has failed to provide documentation to this effect.

Partial conclusion

Internal Audit finds that the planned business procedures and internal controls ensure correct registration for accounting purposes of refunded dividend tax for foreigners.

For the refund requests outside the spreadsheet scheme, the basis is assessed before refunds are paid, whereas the basis under the spreadsheet scheme is rarely assessed. Internal Audit finds that SKAT's control of refund requests submitted via the spreadsheet scheme is not sufficient.

Internal Audit finds that Accounting 2 should describe what is controlled/checked before a request is met and to a higher extent check the basis for refunds under the spreadsheet scheme. SKAT is responsible for ensuring that refund requests under the spreadsheet scheme are correct, before any payment is made.

⁵ SKAT concluded the "spreadsheet scheme" agreements with the three banks in 2001, 2005 and 2007.

Internal Audit finds that SKAT should be better at ensuring that unwarranted dividend tax refunds are not made. This possibility was improved from 1 January 2013 when all distributing companies must declare the distribution and report information about the dividend recipient at the same time.

3.5 Clearance of accounts

Internal Audit has reviewed the controls performed by Accounting 2 in connection with the clearance of accounts for the financial year at the end of 2012. The guide on closing of accounts and local business codes (*Vejledning regnskabsafslutning – lokale koder*) details the internal controls to be performed by Accounting 2.

The audit showed that the controls are performed, printed, dated and signed and then handed over to the head of department who stores them in their office. The material is also stored electronically.

Internal Audit finds that the accounts covered by the control will be regularly followed up. Outstanding items will be investigated on an ongoing basis to ensure that they are dissolved or placed correctly. At the end of 2012, there are no material items on technical debtors, interim accounts etc., and the bank accounts are regularly reconciled and set off against the Agency for Modernisation.

The monthly clearance of accounts for business code 6112 which is submitted to Accounting 1 shows that income and expenses for the month as well as assets and liabilities have been reviewed. Payments and entered values for the period as well as for the year to date are disclosed as well as the number of declarations not yet entered. The clearance of accounts at the end of 2012 shows that a total of almost DKK 12 billion has been paid year to date, and the entered value is approximately DKK 10.8 billion. The disclosed figures correspond to credit and debit movements on the debtor account (account type 3000 – business areas 1156 and 1157).

Internal Audit finds that the clearance of accounts in its present form does not provide sufficient information. For example, payments and entered values cannot be read as credit and debit movements on the debtor account, as reversed income is entered on the opposite side on the debtor account. The stated entered value thus does not include the reversed income, and the disclosed amount for payments also includes the amounts set off for reversals. The final monthly report for 2012 (*Den endelige månedsrapport 2012*) shows that income from dividend tax totals DKK 8,712 million and for royalty tax DKK 130.0 million.

SKAT's guide on closing of accounts and local business codes states how the clearance of accounts must be structured and what it must include. Accordingly, the clearance of accounts must disclose numbers and amounts for the declarations not yet entered. Internal Audit finds that items for which SKAT risks incurring an expense should be mentioned. For example, SKAT entered income of

approximately DKK 620 million, including interest, for a pending insolvency case that may have to be reversed when the case is closed.

Partial conclusion

Internal Audit finds that relevant accounts are regularly followed up in connection with the monthly clearance of accounts. Outstanding items are investigated on an ongoing basis to ensure that they can be dissolved or placed correctly.

Internal Audit finds that the controls and reconciliations performed by SKAT in connection with the clearance of accounts help ensure the correctness of the accounts as regards dividend and royalty taxes.

However, Internal Audit finds that the actual clearance of accounts does not provide sufficient information and thus does not comply with SKAT's guide on closing of accounts and local business codes. Furthermore, Internal Audit finds that the clearance of accounts should mention bigger cases in which SKAT very likely risks having to reverse dividend tax previously entered as income.

3.6 Reconciliation/probability checks – declaration, reporting and the company's financial statements

Twice a year, Accounting 2 performs a dividend control in which field 37 on the companies' tax return (distributed dividend) is compared to declared dividend entered in 3S. An external IT undertaking helps SKAT perform the search. If no declaration has been made, Accounting 2 submits up to two reminders. Before the reminders are submitted, it is checked that there is in fact a basis for submitting them. The second reminder includes information about possible day fines. Several companies that have failed to respond to the reminders have been submitted to the Action department (*Indsats*).

Internal Audit finds that the possibility for imposing day fines has not been used, nor has SKAT used the possibility for estimating dividend tax.

During the dividend control, SKAT finds the errors where companies have paid and reported dividend in the TastSelv e-tax system but have erroneously failed to declare the amount.

eKapital sends reminders to the persons responsible for reporting if they report fewer dividend recipients than the previous year or if the persons responsible for reporting have failed to report for this year but not for previous years.

SKAT does not perform reconciliation between declared dividend and reporting.

In 2011, the Copenhagen Region conducted an action project for the 2008 income year for the companies where declaration and reporting differed. Such difference was found in a total of 20,000 out of 68,000 companies. Of these, 1,500 were taken out for additional control. Due to this project, 160 of the 1,500 companies were given a total increase of DKK 58 million. The project also resulted in some of the companies' auditors being reported to the Danish Auditor's Board (*Revisornævnet*), and in several cases, the auditors received fines.

Previously, there were problems performing reconciliations and controls but these problems have partly been solved. From 2012, companies not managed by VP Securities (not admitted to trading on a regulated market and not registered with VP) had to report and declare at the same time. From 1 January 2013, the custodians (banks) for the companies/investment funds/investment companies registered with VP (admitted/not admitted to trading on a regulated market) must report no later than a month after the distributing companies/investment funds/investments companies have submitted their declaration. For 2012, declaration and reporting can be reconciled for non-registered companies.

In this respect, the Individuals department stated that "reconciliation can also be performed between declaration and reporting for the registered companies/investment funds etc. but not until the period after 20 January 2013. From 2013, reconciliation can be performed at the end of the subsequent month."

To this, Accounting 2 stated that "reconciliation must be performed manually for the approximately 75,000 companies that distribute dividend by integrating different Business Objects universes."

Partial conclusion

Internal Audit finds that SKAT can now perform an efficient control between the companies' declarations and what is reported about the individual dividend recipient. A former action project for non-registered companies revealed a multitude of errors and a considerable amount that is not declared and paid. Internal Audit finds that SKAT should perform ongoing reconciliation of declared dividend tax and reporting.

Internal Audit finds that an executive decision should be made as to whether or not the decisions to impose day fines and estimates are used in the same way as elsewhere in the organisation.

3.7 Organisation and responsibility in the dividend area

The responsibility for SKAT's dividend tax processing process is distributed on several process owners. An overall responsibility for the entire process has not been defined.

Accounting 2 is responsible for the bookkeeping function as regards dividend tax. The department's tasks include entry of forms relating to reporting and declaration, reminder procedure relating to lack of reporting and declaration, processing of refund requests, certification of tax liability for Danes holding foreign shares, bookkeeping as regards dividend and control and reconciliation of payment and declaration etc.

The Individuals department is the process owner of eKapital. The Centre for eKapital runs eKapital which includes mandatory reporting obligations under the Tax Control Act which are not covered by eIndkomst. The process owner of eKapital has stated that eKapital is structured as a "warehouse".

A "warehouse" which holds all information to be used for e.g. the creation of the tax assessment notice, for the service voucher, for SKAT's automatic computation and calculation system, for control, for compliance, for action projects and reconciliation of income, dividend etc. eKapital comprises a number of sub-systems with their own limited area of information, such as interest, dividend, purchase and sale of securities, pension scheme deposits, It is up to the users to obtain and use the collected data.

The SLUT system has access to obtain information in the relevant sub-systems in eKapital in connection with the creation and printing of tax assessment notices for individuals.

The Businesses department which is a process owner of the dividend declaration, is responsible for developing better opportunities for the TastSelv e-tax system, which is run as a project under the Businesses department. The purpose of such improvements is to set up a different reporting flow to facilitate correct reporting.

Partial conclusion

Internal Audit finds that the area has many players and process owners. Internal Audit finds that an overall responsibility should be established (executive focus) for the entire dividend tax processing process.

3.8 Follow-up on Internal Audit's investigation of the proceeds from taxation at source of foreigners and dividend tax (*Provenuet fra Kildebeskatning af udlændinge – udbytteskat*) (May 2010)

Internal Audit's investigation from May 2010 showed, among other things:

- That reconciliation is not performed between the dividends declared by the companies and the dividends declared for the dividend recipients.
- That roughly correct net proceeds from the refund scheme could only be made with great uncertainty based on the information available in SKAT's systems.
- That SKAT lacks reports/information to be able to compute correct net proceeds from the refund scheme.
- That accounting and IT systems do not sufficiently support a correct computation of net proceeds from the dividend scheme.
- That dividend tax can be refunded before the tax has been paid/reported to SKAT.

Internal Audit recommended, among other things:

- To establish an overall responsibility for the entire dividend tax processing process.
- To establish a control environment that ensured that declarations and reported dividend recipients corresponded.

Based on the audit report, Production Forum (*Produktionsforum*) decided to set up a task force to suggest administrative and system changes to address any unclarified circumstances in the report.

The task force prepared a number of suggestions for better dividend tax processing. The task force's recommendation to Production Forum on 27 June 2011 sums up the report's conclusions in two core areas:

1. There is no reconciliation of the dividend tax credited to dividend recipients in relation to dividend tax.
2. There is not audit trail for refunds of Danish dividend tax to foreign dividend recipients and the technical processing of such refunds.

Re 1) No dividend tax reconciliation

Production Forum considered the task force's suggestions on 27 June 2011 and decided that Citizens and Businesses (*Borger og Virksomheder*) as well as Legal and Economics (*Jura og Samfundsøkonomi*) would continue working on the suggestion to amend s. 66 of the Danish Withholding Tax Act (*kildeskatteloven*)⁶ and the subsequent process descriptions and any locked fields. It was also recommended to continue working on the suggestion of mandatory use of the TastSelv e-tax system.

Executive Order no. 1315 of 15 December 2011 on reporting duties etc. under the Tax Control Act was amended so that the deadline for declaration, payment and reporting of dividend recipients is now the same. For the companies not registered with VP Securities, this amendment is effective for 2012, whereas the amendment for the companies/investment funds/investment companies registered with VP Securities is effective from 2013.

During this audit, the Businesses department has stated that the improvements of the TastSelv e-tax system are handled as a project in the Businesses department. It has been requested that the new solution for the reporting of dividend should generally contain the following improved functions, among others:

- A new reporting flow which means that when the company declares dividend, it must also disclose the dividend recipient. This solution ensures that there is a dividend recipient for the entire dividend amount so that the amount is reconciled before any reporting can be made. I.e. one overall reporting flow against the two reporting flows of the current solution⁷.
- A draft function is developed in which the reported data can be stored, edited and later reported.
- Previously reported dividend recipients can be stored and retrieved later for new reporting.
- The reason for the selected dividend rate is registered if a lower dividend rate has been chosen.

⁶ The reason for mentioning s. 66 of the Withholding Tax Act is that the taskforce recommended that the time of declaration and the time of reporting should be the same.

⁷ To this, the Individuals department has stated as follows: "This solution not only covers the companies not registered with VP Securities as they have a joint duty (declaration and reporting of dividend recipients). The other registered companies, investment funds and investment companies do not have the same obligation. They are only obliged to declare whereas the custodian is obliged to report the dividend recipient and the duty to disclose which customers are subject to which tax rates, e.g. 0, 15, 25, 27 etc."

The development of a new TastSelv e-tax solution in connection with the declaration of dividend tax is in process. The project strives to ensure a high quality for and clarify the requirements specification with a view to getting a more accurate estimate of the price of Phase 1. At present, the project only focuses on completing the requirements specification concerning the new TastSelv e-tax solution (Phase 1)⁸.

The intention was to put the improved functionality into operation before the Tax Account system (*Skattekontoen*) is put into use. However, it is not possible to put the new reporting solution into operation before the Tax Account system is planned to be put into operation in August 2013. It is expected that it will be mandatory to use the current TastSelv e-tax solution, which covers two separate tracks for declaration of dividend and reporting of dividend recipients, from 1 July 2013. Executive orders to this effect are currently undergoing external consultation. SKAT has stated that they are striving to put the new TastSelv e-tax solution for the declaration of dividend and reporting of dividend recipients into operation around 1 April 2014. However, it has not yet been decided to carry out the project according to the current schedule.

Re 2) Refunds of Danish dividend tax for foreign dividend recipients

The resolution records for Production Forum on 27 June 2011 state that Production Forum was informed that a task force has been set up in the framework of the OECD, the purpose of which is to ensure joint net payment of dividend to foreign shareholders. SKAT has jointed a pilot project with seven other countries including several big banks.

SKAT has explained to Internal Audit that this cooperation with the OECD has been going on for several years. Various reports have been delivered, and several task forces have been set up, and parallel work is performed in other frameworks. The EU has a project, the FATCA agreement with the USA, which covers the mutual exchange of information concerning custodies, accounts etc. which has been ranked highest among priorities. The OECD has a useful model ready for use, but it is unclear what the EU thinks of this model. The model requires the participation of foreign banks, and this requires IT development. Germany has a system much like the Danish refund model, but they have not fully decided to join the model. SKAT finds that the foreign banks will not find it attractive to participate until other countries or e.g. a large country such as Germany decides to opt in. At the same time, SKAT strives to expand the net payment model to more countries.

Partial conclusion

SKAT has stated that the new TastSelv e-tax solution for declaration of dividend tax and reporting of dividend recipients is in process and planned to be put into operation around 1 April 2014. When the new TastSelv e-tax solution has been implemented, declaration (registration of income) will follow payments to a higher extent.

The rules have now been changed, and the deadline for declaring dividend tax and reporting dividend is the same but is still performed in two flows.

⁸ The schedule for the development of the other phases of the new e-tax solution has not yet been determined, including whether it should involve one complete reporting flow.

SKAT has currently not made any final decision to expand the TastSelv e-tax solution to one flow, like the task force suggested in its recommendation to Production Forum⁹. Internal Audit finds that today, SKAT does not perform reconciliation between declaration and reporting of dividend recipients. Internal Audit finds that the new rules with the same deadline for declaring and reporting have significantly facilitated such reconciliation. Internal Audit finds that it is necessary for SKAT to perform reconciliation between declared dividend and reporting of dividend recipients, because declaration and reporting is still performed in two flows.

Internal Audit finds that SKAT in cooperation with other OECD countries is working on a joint net payment process for dividend for foreign shareholders and that a useful model is ready. However, SKAT depends on the participation of foreign custodian banks and of large countries joining the model. Internal Audit finds that SKAT has made a satisfactory effort to introduce net payment of dividend to foreign shareholders.

In the investigation of proceeds from withholding taxation of foreigners and dividend tax (May 2010), Internal Audit recommended to establish overall responsibility for the entire dividend tax processing process. Internal Audit still finds that an overall responsibility should be established.

Internal Audit has no other comments in relation to the follow-up on the investigation (May 2010) or the measures taken by SKAT in relation to Production Forum's recommendation.

4. Opinion and comments

4.1 Opinion

Overall, based on the audit performed, Internal Audit finds that the administration of dividend and royalties did *not function quite satisfactorily*.

Internal Audit generally finds that the relevant accounts are followed up on a regular basis in connection with the monthly clearance of accounts. Outstanding items are regularly checked and either dissolved or placed correctly. Internal Audit finds that the controls and reconciliations performed by SKAT in connection with the clearance of accounts help ensure the correctness of the financial statements. Internal Audit also finds that the outstanding claims as at 31 December 2012 existed and were enforceable.

As regards the initiatives initiated by SKAT following the former investigation, Internal Audit finds that the new TastSelv e-tax solution for the declaration of dividend tax and reporting of dividend recipients is in process, and SKAT has stated that they are working towards putting the solution into operation

⁹ Today, companies not registered with VP securities declare dividend tax and report dividend recipients. For the companies registered with VP Securities, the custodian bank/VP Securities report to SKAT, whereas the companies declare the dividend tax to SKAT. The custodian bank informs the company of the amount to be declared, as these companies do not know their shareholders and, hence, the amount to be declared.

around 1 April 2014. Once the new TastSelv e-tax solution has been implemented, the declaration (registration of income) will to a higher extent follow payments.

The rules have been changed, meaning that the deadline for declaring dividend and reporting dividend recipients is the same, but these two processes will continue to be performed in two flows. At present, SKAT has not finally decided whether or not to extent the TastSelv e-tax solution to one flow.

Internal Audit finds that SKAT does not, today, perform reconciliations between declared dividend and reporting of dividend recipients. Internal Audit finds that new rules with the same deadline for declaring and reporting have significantly facilitated such reconciliation. Internal Audit finds it necessary that SKAT reconciles declared dividend and reporting of dividend recipients because declaration and reporting are still performed in two flows.

It is Internal Audit's opinion that SKAT has made a satisfactory effort to introduce a common net payment of dividend to foreign shareholders.

In its assessment, Internal Audit also emphasised the following, among other factors:

- Internal Audit finds that SKAT's current approach to recognition of dividend tax (declarations entered by Accounting 2) is not within the guidelines/rules stipulated by the budget guide and the Agency for Modernisation. SKAT must ensure that dividend tax is recognised within these guidelines/rules.
- The audit has shown that errors were made in 2012 where all the data in 3S were not transferred to SAP38, and not all data in eKapital were transferred correctly to the tax assessment notices. In both cases, the errors were detected by other means than via an actual reconciliation between systems. Internal Audit finds that the specific cases where errors were detected in 2012 show the importance of performing reconciliations between the systems. SKAT should put in place reconciliation or other control methods to ensure that all data are delivered accurately and fully between the systems.
- Internal Audit finds that the planned business procedures and internal controls ensure a correct registration in the financial statements of dividend tax refunds to foreigners.
- Internal Audit finds that for the refund requests outside the spreadsheet scheme, the basis for refund payment is assessed whereas the basis under the spreadsheet scheme is rarely assessed. Internal Audit finds that SKAT's control of refund requests made via the spreadsheet scheme is not sufficient. Internal Audit finds that Accounting 2 should describe what must be checked/ensured before the request is met and to a higher extent check the refund basis under the spreadsheet scheme. It is SKAT's responsibility that refund requests under the spreadsheet scheme are correct before payment is made.
- Internal Audit finds that the clearance of accounts in itself does not provide sufficient information to comply with SKAT's guide on closing of accounts and local business codes. Furthermore, Internal Audit finds that the clearance of accounts should mention bigger cases in which SKAT most likely risks having to reverse dividend tax previously recognised as income.
- Internal Audit finds that the management should consider whether the provisions on imposing day fines and discretionary determination should be used in the same way as elsewhere in the organisation.

- Internal Audit finds that there are many players and process owners for the dividend area. Internal Audit finds that an overall responsibility should be established (executive focus) for the entire dividend tax processing process.

4.2 Comments

Internal Audit recommends that SKAT follow up on the issues identified by Internal Audit during the audit.

The comments in the report are rendered below with an indication of the importance of follow-up, cf. the rating system in Exhibit A.

Section	Comments	Importance
3.2.	Clear accounting policies must be determined. Dividend tax income should be recognised within the guidelines/rules determined by the budget guide and the Agency for Modernisation.	1
3.7.	An overall responsibility (executive focus) must be established for the entire dividend tax processing process.	1
3.3.	Reconciliation or another control method must be established to ensure that all data are delivered accurately and fully between the systems.	1
3.6. 3.8.	Declaration and reporting must be reconciled.	1
3.6.	Management must decide whether or not the provisions on imposing day fines and discretionary determination should be used in the same way as elsewhere in the organisation.	1
3.4.	SKAT must, to a higher degree, ensure that dividend tax is not unlawfully refunded.	2
3.5.	The clearance of accounts must be adjusted to ensure that the information value increases and that they comply with SKAT's guide on closing of accounts and local business codes.	2
3.4.	The business procedures for payment of refunds must describe what needs to be checked before the request is met.	3

5. Consultation

The report was submitted for consultation in Accounting 2, Payment and Accounts, Individuals, Businesses and Process and Administration.

Responses have been received from Accounting 2, Payment and Accounts, Individuals and Businesses. Factual clarifications and comments have as far as possible been included in italics in the report.

In addition, Accounting 2 and Individuals have submitted the following response (part of the response of a more informative nature):

Accounting 2 has stated that "when the TastSelv e-tax solution, which is expected to be introduced on 1 July 2013, is introduced, it will be with the current two flows. Consequently, the focus should still be on introducing a new TastSelv e-tax system with one flow."

The Individuals department has stated that: "The Individuals department is focusing on improving the possibility for banks and other persons required to report to perform such reporting. The Individuals department is launching a project to renew the old TS-Tele reporting schemes and replacing them with these FTP gateway and TastSelv e-tax solutions. The idea is to see if a sustainable solution can be found for the entire dividend area which benefits both types required to report (banks and companies) as regards dividend recipients."

eKapital constantly focuses on possible additional measures to ensure correct withholding of dividend tax (the correct dividend rate). The recent measures have focused on the banks' customer registration of the custodies and hence on ensuring that the dividend tax recipient is the type indicated by the withholding rate, e.g.:

- *an active business/company etc.*
- *an investment company, an investment fund, a company, etc.*
- *a person*
- *a person with a custody registered under the so-called VP-scheme.*

Furthermore, the tax actually withheld must be reported from 1 January 2011. This means that SKAT can now credit the actually withheld tax over the tax assessment notice and not as now credit 27% to a person or a personal trader etc.

Since the last audit report, eKapital has changed the Tax Control Act so that it now includes a mandatory reporting duty for dividend/distribution to tax-free pension custody accounts. Furthermore, the mandatory report from the custodian bank on dividend distribution must generally be reported with CVR/SE number of the company or the investment fund/sub-fund making the distribution. The latter to ensure that the declaration from the person where the distribution comes

from can be linked to the custodian banks' reporting on dividend recipients and in this way allow for reconciliation of the two different reports.

Last, but not least, eKapital had suggested as part of the tax reform catalogue with additional reports to introduce an authority for the companies distributing shares and certificates, obliging them to, very early in the beginning of the income year, inform SKAT and the custodian banks via the VP registration of their distribution type to be able to connect the administration of the dividend task outside SKAT with the administration of the dividend task in all of SKAT (tax assessment notice and credits, company tax returns and dividend administration in Accounting 2 together).

Unfortunately, it seems that this measure has failed effective from the 2014 income year but has been postponed to 2015/2016."

[Signed]

Torben Ersbøll

[Signed]

Lars Kørvell

Exhibit A

Opinion

The findings in the report text are rendered using the rating system below, cf. the Danish national audit office's (*Rigsrevisionen*) auditing standard for annual audits.

- **Very satisfactory:** *The business has complied with all material standards and there is no need for improvements in the investigated areas.*
- **Satisfactory:** *The business has complied with the majority of the material standards, but in a few areas, there is room for improvement.*
- **Not quite satisfactory:** *The business has not complied with several of the material standards. Improvements should be made.*
- **Not satisfactory:** *The business has not complied with the majority of the material standards. Improvements must be made as soon as possible.*

Comments

The comments made in the report text are rendered below, indicating the importance of follow-up, using the following rating system:

1. **Material weakness:** This is estimated as a critical problem that must immediately be assessed by the executive in charge of the financial statements, as it may lead to:
 - a. *significant errors in the financial statements/bookkeeping records due to material errors or defects and/or*
 - b. *violation of applicable laws, regulations and guidelines.*

2. **Significant weakness:** This is estimated as a problem that should be addressed as it may lead to:
 - a. *inaccuracies in the financial statements/bookkeeping records and/or*
 - b. *lack of control in the audited organisational unit or process*

3. **Minor weakness:** This is a problem of a more formal nature, the solution of which will lead to:
 - a. *improved quality of the audited area and/or*
 - b. *improved efficiency of the audited area.*